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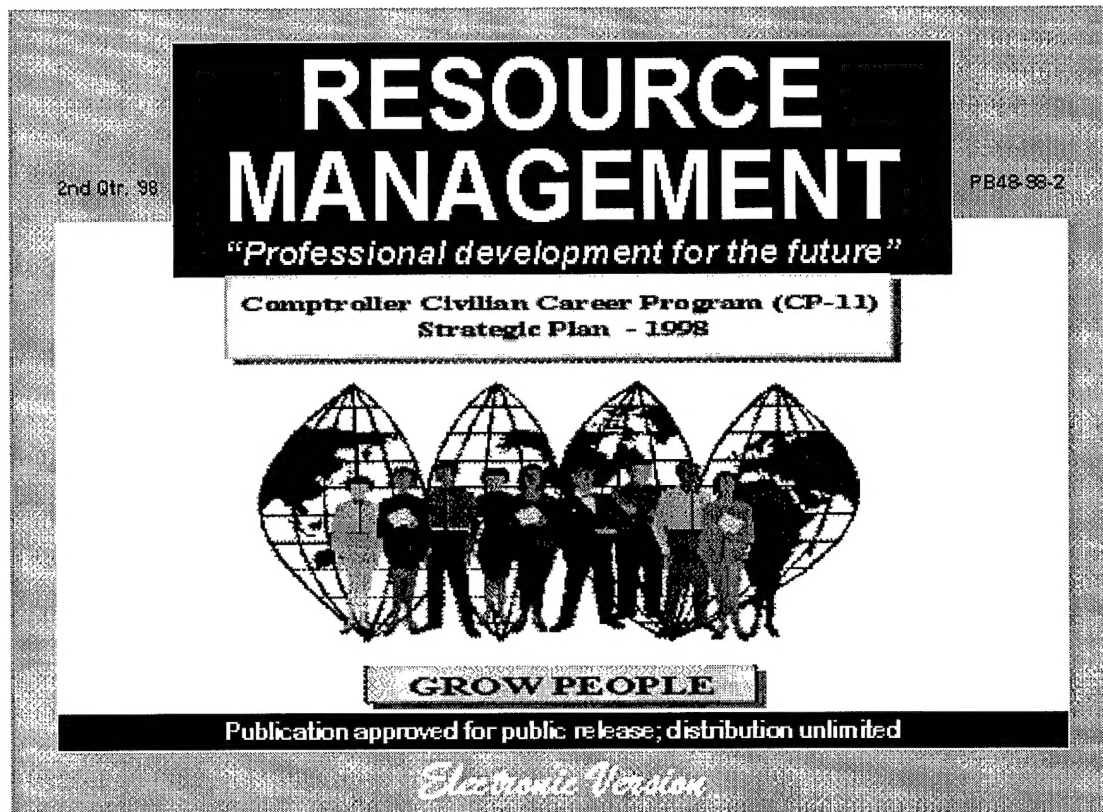
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### *Inside this issue*

- Letters
    - A Message from the Assistant Secretary of the Army (FM&C)
    - A Message from the Principal Deputy Assistant Secretary of the Army (FM&C)
  - Fiscal year 1997 Resource Management award recipients ... the ASA(FM) announce the winners of these coveted awards
  - Moving to the next century: RM mentorship program computer-based training ... CPT for mentoring will provide the necessary knowledge and skills to be successful mentors and associates of the future
  - Comptroller Civilian Career Program intern survey ... Interns provide feedback to questionnaire
  - Office RAGE - the modern craze ... this article provides an analysis on the causes, ramifications and prevention of violence in the workplace
  - Managerial cost analysis ... Second in a three-part series about managerial costing package developed by CEAC
  - Service-based costing: A tool to defend cost and achieve savings? ... SBC is a tool to achieve major economics and efficiencies
  - Perspectives ... Guidance, information from OASA(FM&C) deputies
  - Professional Development Highlights
  - Vision Statement
-



**Resource Mgt**  
**Magazine**  
**Index page**

<u>HomePage</u>			<u>NewsFlash</u>	
<u>What's New</u>	<u>ASA(FM&amp;C)</u>	<u>Budget</u>	<u>Business Practices</u>	<u>CEAC</u>
<u>D.C. Local</u>	<u>Finance</u>	<u>Interactive</u>	<u>Miscellaneous</u>	<u>Pentagon</u>
<u>Prof Dev</u>	<u>Proponency</u>	<u>Publications</u>	<u>Resource Analysis</u>	<u>Tutorials</u>

**SPECIFIC INFORMATION:**

Internal Review || Management Control || Software Download || Travel Charge Card

# **A message from the Assistant Secretary of the Army (Financial Management And Comptroller) Helen T. McCoy**



The Comptroller Civilian Career Program Strategic Plan identifies the actions necessary to respond to the changing needs of the Army. Reduced budgets and ongoing governmental reshaping initiatives such as competitive sourcing will pose significant challenges for all careerists. We will continue to face a multitude of changes in the workforce during the next 10 to 15 years. We must focus our efforts to maintain our world-class career program so that we can meet the challenges of the future. Comptroller careerists comprise three percent of the total Army civilian workforce and provide decision-makers key services and products. We must build on our core competencies and expand our capabilities.

The Comptroller careerists of the future must be multi-functional and multi-dimensional-capable of handling various situations with confidence and skill. We must capitalize and build on the skills of our existing workforce. We have the opportunity to expand our capability by accepting developmental assignments, attending various training programs and furthering education goals. Versatility and flexibility will be the keys to our future success.

The Financial Management Redesign effort will provide an avenue of change. In concert with this initiative, the changes may potentially result in new careerist requirements. I envision a workforce of multi-disciplined Financial Analysts with broad skills, divergent experiences and comprehensive training. We must focus on the future and plan accordingly.

There are four key areas in which I believe we need to concentrate our efforts: workforce proficiency, succession planning, skill composition of the workforce and customer satisfaction. Each of these areas is essential to accomplishing our mission.

Nothing less than full implementation is acceptable. These are not easy actions to complete; no single person can achieve the actions alone. I expect each senior leader, supervisor and employee to be personally involved. We must work as a team and commit to the same vision.





**A message from the  
Principal Deputy Assistant Secretary of  
the Army  
(FM&C)  
Neil R. Gennetti**

We've tabulated the Resource Management Mentorship Program (RMMP) results for the final half of fiscal year 1997, and I'd like to share with you some good news and some areas for improvement. Over half the commands commented on the program, and the Mentors and Associates gave us much-needed feedback. We use the semiannual evaluations to continue refining the RMMP, which is a living, changing program. Here is some of what our respondents had to say:

Most Mentors and Associates said they benefited from their partnerships. Associates generally credited Mentors with being great listeners and focusing on career development. Mentors benefited, they said, in learning to apply their various skills toward supporting their office staff, monitoring employees' needs, and giving Associates more chance to input into office issues and situations. Many Associates were pleased with the mentoring they received, crediting their partnerships' success to dedication by both parties. Mentors typically provided exceptional support, assisted in fulfilling training needs, and proved effective as motivators, according to their Associates' evaluations. Associates less satisfied with their match often noted their Mentors were too busy or far away.

Many of the evaluated partnerships are still in effect. There were a few dropouts from Associates not initiating partnerships by calling their Mentors, or not wanting to pursue long-distance partnerships. To correct that, from now on we will ask for written agreements ahead of time to accept long-distance partnerships, and we will stress the importance of Associates' following through by calling their designated Mentors.

Recommended changes included such things as more face-to-face mentoring, official Mentor-Associate meetings, and more frequent training opportunities for participants. Several wanted to see stronger support for Associates' attendance at courses such as the Professional Military Comptrollership Course and the Army Management Staff College. Others sought assurance that obstacles of distance could be better overcome, if not altogether precluded. Associates asked for more help from Mentors to influence and directly assist with career opportunities. Many asked about arranging initial Mentor-Associate meetings to discuss roles and responsibilities in the partnership. Finally, some recommended opening RMMP to GS-5s instead of taking them on an exception or waiver basis. We will look into all of these.

A number of Associates reported status changes from being in RMMP such as new job assignments or details, receiving training, and in a few cases getting promoted. Several spoke well of RMMP's effects in fostering change in their jobs and professional or personal life. Examples were gaining a more positive outlook on current job and future, becoming more comfortable speaking to superiors without fear of embarrassment, encouragement to change careers, and viewing the partnership as a sounding-board for ideas on how to approach challenges. In my view, that's a pretty good report card.

To all who have "played" in RMMP, thanks for the support and willingness to share. To any thinking about it, come and take that big first step. You'll be glad you did.

# **Fiscal Year 1997 Resource Management Award Recipients**

*by Lt. Col. Joseph M. Naylor*

The Army's Resource Management Annual Awards Program made public some of the finest Army stewardship achievements in fiscal year 1997 from field and staff resource managers. Competition was announced in June 1997 for recognition of the year's most noteworthy accomplishments in each of several civilian and military RM categories for organizations, teams and individuals. Senior-level subject-matter expert or SME panels evaluated the award nominations by category. Top-ranked individuals then competed for the capstone individual awards: the ASA (FM&C) civilian award, the ASA (FM&C) military award and functional chief representative or FCR special award. The program features awards at two levels, "major command and above" and "below major command."

Honorable Helen T. McCoy, Assistant Secretary of the Army for Financial Management and Comptroller, recently announced these 1997 award recipients:

## **ASA (FM&C) Civilian Award**

Robert J. Turzak, U.S. Army Materiel Command, personally identified and analyzed key components of the Defense Logistics Agency's working capital fund business costs and supply price increases to determine validity of projected savings. His findings contradicted DLA savings promises. His efforts led DLA to correct the supply price calculation and develop strategies to reduce distribution depot costs. The actions will protect several hundred million dollars of Army purchasing power through correct supply prices.

## **ASA (FM&C) Military Award**

Maj. Jane S. Polcrack, Task Force 266th Finance, led 70 soldiers from different finance battalions in providing a full array of finance support during Operation Joint Guard to over 10,000 US and NATO forces from seven permanent sites throughout Bosnia-Herzegovina, Hungary and Croatia. She maintained meticulous accountability of \$14 million in four different currencies. She also set up an automated reporting mechanism to monitor daily remote-site cash balances, which expedited problem resolutions. Her quest for excellence in fiscal responsibility led to an \$8 million slash in theater-wide cash holdings that cut vulnerability and saved interest. She and her task force provided all these services without any external assistance.

## **Functional Chief Representative Special Award**

Mr. Laurence A. Polzak, Jr., Office of the Assistant Secretary of the Army for Financial Management and Comptroller, ensured all CP 11 careerists were provided opportunities for professional development. He personally developed a tracking system for operational assignment possibilities. Through his dedication for excellence, he improved the nomination and selection processes for Army Comptrollership, DoD Graduate Level Financial Management and university long-term training programs. Careerists gained more direct access and higher awareness of important career development aspects through his briefings at professional RM courses and vigilant maintenance of Comptroller Proponency information on the ASA (FM&C) Homepage.

## **Outstanding RM Organization Award (major command and above)**

The Army Materiel Command's managerial accounting and finance staffs instituted an aggressive program for canceling appropriations (in 5th year of expiration), outstanding travel advances and problem disbursements in the command that has the most Army money. Their work enabled AMC to cut unliquidated obligations more than 99 percent and also to exceed Army goals for trimming expired-year travel advances, solving unmatched disbursements and resolving negative unliquidated obligations. As a result, the Army will use a lot fewer current-year dollars to pay old-year bills.

## **Outstanding RM Organization Award (below major command)**

Directorate of RM, US Army Engineer Center and Fort Leonard Wood succeeded many ways in

efficiently managing the post's resources. They cut year-end close-out overtime by half from the year before, and still obligated all except four dollars of a multi-million dollar program. They saved \$1.2 million or 2-1/2 percent in civilian payroll and put it toward fiberoptics, network expansion and barracks improvements. Other efficiency measures saved another \$1.1 million. Simplifying the paying of telephone and tuition assistance bills alone freed up one work-year of effort. Astute use of partnerships in leveraging outside resources saved more than \$150 thousand and increased mobilization readiness for post Reserve units. Army Ideas for Excellence Program ideas saved nearly another half million dollars.

#### **Outstanding RM Team Award (major command and above)**

The Army Cost and Economic Analysis Center's Chemical Demilitarization Cost Analysis Integrated Product Team developed and documented cost methodologies for the "chem demil" program. Co-chaired by Sher Dhaliwal and George Kudrna, the team examined complex factors affecting whether the program could likely keep going on schedule and within its budget, given certain risks. DoD evaluators so respected the 19-member team's "homework" in developing the Army's cost position that they adopted the results without change as DoD's official position too.

#### **Outstanding RM Team Award (below major command)**

Army Communication and Electronics Command's Military Satellite Communications (Milsatcom) Transition and Implementation Team is in the business of filling requirements to satisfy national security needs of the 21st century at minimal cost. Marilyn Garr, Donna Velez and William Hall prepared the Army's cost submission. Through acquiring data, analyzing total life cycle cost for 38 Army types of legacy and future satellite terminals as well as researching several non-PM Milsatcom legacy terminals, they identified and documented the legacy systems' operating and support costs. In response to changing architectures and satellite configurations, they determined which new terminals would interface with the latest satellite configurations and made corresponding changes in terminal hardware configurations, quantities, procurement and field schedules to ensure compatibility. Their products were a key component of joint decision briefings to the senior warfighters' forum and the joint requirements oversight council.

#### **RM Educator of the Year Award**

Wilma Y. Solivan of the Army's Communications and Electronics Command independently developed and taught a complete overview of the financial process related to contract administration that helped students understand the meaning and importance of financial data in a contract. Her greatest success was drawing students into the learning mode on a subject that seemed at first to be unimportant, uninteresting and unrelated to their work-an exceptional accomplishment. Solivan's teachings enabled and motivated students to raise the accuracy of contract financial data and cut future problem disbursements by tens of millions of dollars. Her continual extraordinary training not only yields huge potential savings but also builds lasting links between acquisition and financial communities.

#### **RM Author of the Year Award**

William N. Washington of the Army's Communications and Electronics Command authored several technical reports on RM in the acquisition process. Four of them led directly to RM improvements and cost cuts in outsourcing and the acquisition process. Two reports were to be published in the Acquisition Review Quarterly, and a third one on managing radical change was submitted for a special issue of the magazine.

#### **Resource Management Intern of the Year Award**

Joanne M. Duffy of the Army's Communications and Electronics Command, while rotating through the Program Budget Division, showed exemplary effort, spirited commitment and persistent determination. She was instrumental in producing data necessary for an annual obligation report, in developing a data base that was used to track open commitments and unliquidated obligations, and in constructing an unfinanced requirement data base. Her work on tasks for baseline service, base operations "cube" and six-year budget or "POM" reports helped CECOM to produce accurate and timely submissions. While completing the command's intern external and internal training programs, she also worked with the local Intern Quarterly editor to revive the newsletter.

#### **Comptroller/Deputy Comptroller Award (below major command)**

Augusto P. Miranda, US Army Community and Family Support Command, expertly managed, accounted for and controlled resources of a multi-functional military resort hotel. That included preparing and managing a \$25 million nonappropriated fund annual operating and capital expenditure and minor construction budget. He led the Shades of Green hotel in Florida to a positive net income of 19 percent in fiscal 1997 and was hand-picked to design a standard financial statement for U.S. armed forces recreation centers.

#### **Analysis and Evaluation Award (major command and above)**

Robert J. Turzak won the ASA (FM&C) Civilian Award for his accomplishments in this category, which are described above.

#### **Analysis and Evaluation Award (below major command)**

William D. Hutchins, 80th Area Support Group in U.S. Army Europe, consolidated and updated more than 150 international and interservice support agreements, memorandums of understanding and joint operating procedures. He aggressively and enthusiastically converted the agreements to a new support agreement management system. His system of tracking by category of support ensured that reimbursements accorded with the actual agreements. Other area support group support agreement managers have used his system as a model and precedent for their own work.

#### **RRM Award (major command and above)**

Susan J. Goodyear of the Army's Forces Command established local procedures to convert military training open allotments to the new specific allotments or MTSA to major commands for distribution to installations. She explained the new procedures at installations and resolved issues between commands. She convinced Army headquarters to modify the method of funding MTSA-funded travel orders in a way that cut substantial installation work. Her insight got the 12 required coordinations for an order trimmed to five and led to shifting funding responsibility from the gaining back to the losing installation. Those changes greatly lightened the work burden at FORSCOM and other Army installations everywhere.

#### **RM Award (below major command)**

Ivory A. Grove of the Army's Cold Regions Test Center studied ways to operate the center at Fort Greely, Alaska, better, cheaper and with fewer people, given an upcoming base realignment and closure or BRAC study there. She analyzed separate costs of (1) all government civilian operation, (2) full contractor operation, (3) split operation between Fort Wainwright and Fort Greely and (4) "safari" operation. Her data, costs and concepts were accepted into the long-range plan and greatly smoothed out the transition that followed.

#### **RM in an Acquisition Environment Award (major command and above)**

Wayne Wesson of the Army Materiel Command streamlined command cost analysis by developing estimating and analysis policy and procedures to accommodate multiple initiatives such as acquisition reform, integrated product teams and cost as an independent variable or CAIV. He personally organized and led a brainstorming session of AMC and Army headquarters officials to define barriers and find ways to get it done. As a result, AMC's cost community has a much more comprehensive understanding of the latest and most sophisticated cost analytical techniques, as well as how and when to use them.

#### **RM in an Acquisition Environment Award (below major command)**

Arlene M. Labudzki of the Army's Communications and Electronics Command, combined evaluation results from current earned value reports, cost performance reports and cost/schedule status reports into a single comprehensive volume and explained the result to the command's source selection advisory council. Through her efforts, earned value management data now figures prominently in source selection procedures of the performance risk assessment group for the maneuver control system software version IV. Use of earned value management data in reaching source selection decisions has greatly raised their quality and cut deliberation time, thanks to Labudzki's successful efforts.

#### **Education, Training and Career Development Award (below major command)**

Sharon M. Squeo of the Army's Communications and Electronics Command designed and taught a fiscal law course on Anti-Deficiency Act violations, causes and preventive measures. She added guest



speakers from specific relevant disciplines (Accounting, Legal and Acquisition) and introduced pertinent case studies to make the course interesting, meaningful and comprehensive. Her graduates number more than 300, and the command has not had an ADA investigation since the training began.

#### **Accounting and Finance Award (major command and above)**

Juanita Galbreath of the Army's Military District of Washington developed and implemented a flexible and user-friendly "checkbook" program to track government card purchases. The program permits an organization to record, maintain and share detailed managerial information about small purchases without transferring voluminous accounting and supply system information. As a measure of its success, the MDW program became one of four purchase-card management systems approved for use in DoD and is now the single standard system in the Army, Air Force and Marine Corps.

#### **Accounting and Finance Award (below major command)**

Gail J. Williamson of the Army's Engineer Center at Fort Leonard Wood orchestrated the conversion of Fort Leonard Wood, Mo., from a base with its own Defense accounting office to an "operating location" or OPLOC. She identified every process to be affected by loss of the local DAO and anticipated virtually every area of potential problems and workload increase. She convinced the new OPLOC to accept electronic mail (e-mail) versions of financial transactions instead of overnight mail or facsimile. She succeeded in getting vendors paid by electronic fund transfer and optimized the use of the VISA program. Her foresight and methodical approach made the post's transition to an OPLOC smooth, rapid and transparent to most serviced organizations.

#### **Budgeting Award (major command and above)**

Al Alvandian of the Army Materiel Command developed formal procedures for validating contingency operation or CONOPS requirements, refined CONOPS cost estimating techniques and sought reimbursements for AMC from Army headquarters as a result. He published procedures, described tested and proven techniques, and established a logical and defensible funding requirement for reimbursement. That led to his command's full reimbursement of documented CONOPS costs.

#### **Budgeting Award (below major command)**

Clifford Hammock of the Army's Engineer Center at Fort Leonard Wood streamlined processes to take on higher workload from losing the post's accounting office and becoming an operating location or OPLOC. At the same time, he improved customer service, cut costs and found resources for critical unfinanced requirements. By simplifying reimbursement actions, he slashed 60 percent off the previous year's number of retained orders by fiscal year's end. Focusing on high cost area expenditures, he saved the installation \$400 thousand in food service and \$100 thousand in laundry and dry cleaning outlays. Additionally, his "manage civilians to budget" resulted in a 2-1/2 percent or \$1.2 million payroll cut. He found more than \$2 million to fund unfinanced requirements and more than another \$1 million to invest in critically needed automation infrastructure.

#### **Auditing Award (major command and above)**

G. Evelyn Wong-Herrmann, U.S. Army Europe and 7th Army, led and completed single and multi-location audits within the command. Her 12 audits covering logistics, personnel, contracting, finance, resource management and base support operations found potential benefits of over \$111 million. Her recommendations led to significant policy changes that improved property accountability, requisitioning of repair parts and deployment of equipment. She played key roles in setting up travel fund safeguards, designing reconciliation procedures, providing value-added service and achieving identified efficiencies.

#### **Auditing Award (below major command)**

Phillip Axler, XVIII Airborne Corps and Fort Bragg, developed controls to cut maintenance and repair service credit card costs that saved over \$1.3 million. In the Fort Bragg barracks renovation plan he found a way to free up two barracks, potentially saving \$2.5 million. He got Bragg's fuel distribution method changed to ensure that enough fuel would be available during a national emergency, and he showed how its railroad operating costs could be trimmed by nearly half a million dollars.

#### **Cost Analysis Award (below major command)**

Matthew J. Viola of the Army's Communications and Electronics Command created a cost model to estimate the impact of U.S. Marine Corps withdrawal from the secure mobile anti-jam reliable tactical terminal or SMART-T production program. He used it to measure any potentially adverse impact on program stability from the USMC pullout. DoD officials, convinced by the logic of his methodology, directed the Marines to reinstate sufficient quantities of SMART-T to preclude any such impact.

**Comptroller/Resource Manager (FA45 or FA70C) Award (below major command)**

Capt. Leo M. Impavido of the Army Finance School developed, edited, marketed and published the capstone doctrinal manual FM 14-100, Financial Management Operations, through integrating finance and RM operations. He provided purpose, direction and motivation in the development of this comprehensive tactical operations manual across the full spectrum of Army financial management. As a result, the Army now has a single doctrinal manual for enhancing the synergy of the two mutually supporting functions and thereby for increasing and improving financial management operations on the battlefield.

**Operations Research-Planning, Programming, Resource Management or Cost Analysis (FA 49) Award (major command above)**

Lt. Col. Frank L. Decker, Office of the Chief of Staff of the Army, analyzed cost data methods used in the Army's flying hour program. He showed that although the reported cost data was accurate, actual hours flown were regularly understated, thus overstating hourly operating rates and inflating FHP cost projections. He also showed that funds historically migrated from FHP to base operation accounts without degradation to flight training or readiness. As a result, Army leaders recommended reprogramming \$100 million per year from FHP to base ops in the budget plan or "POM" for 1999-2003. That should significantly reduce the Army's exposure to any DoD cuts made in anticipation that the Army would switch money from readiness accounts to infrastructure accounts.

**Finance Corps Officer (BC 44) Award (major command and above)**

Capt. Keith I. Gudehus of the Army's Training and Doctrine Command managed the joint reconciliation program affecting 15 command installations and 22 others that received TRADOC funding. He regularly brought fifth-year canceling accounts to zero balances before they expired. His involvement in the standard Army retail supply system - objective (SARSS-O) led to a successful conversion of seven TRADOC installations with no major system, logistical or financial interface problems.

**Finance Corps Officer (BC 44) Award (below major command)**

Maj. Jane S. Polcrack, Task Force 266th Finance, won the ASA (FM&C) Military Award for her accomplishments in this area, which are described above.

**RM in an Acquisition Environment Award (major command and above)**

Lt. Col. James H. Minnon of the Army's Space and Missile Defense Command, developed the manpower program for reorganizing this new command from the old Strategic Defense Command. He orchestrated a command-wide manpower reduction program to meet the 8 percent Army-directed civilian cut, saving \$1.1 million and trimming civilian high grades 12 percent. As an expert force developer and integrator, he led with his successful Army-wide staffing of the concept plan for reconstituting the command as a major Army command. His efforts effectively leveraged manpower and funding assets to better support Army warfighting requirements for space and missile defense capabilities.

**Accounting Specialist (MOS 73D) Award (below major command)**

Staff Sgt. Leonard S. Rafanan, US Army 7th Special Forces Group (A), acted as the group's budget officer as well as its budget noncommissioned officer. Applying personal dedication with established expertise, he ensured sufficient funding was available to support the mission, verified the basis for proposed expenditures, accounted for all costs and processed contract requests in an exemplary manner. His meticulous attention to detail and outstanding work ethic were consistently evident in the administrative and fiscal support for the DoD Mexican training initiative. The group commander regularly relied on his budget advice.

**Finance Senior Sergeant (MOS 73Z) Award (below major command)**

Master Sgt. Jeffrey J. Heiney, U.S. Army 266th Finance Command, conducted training classes and established internal controls to ensure that maximum financial focus was placed on error-prone items such as advance pay, leave and earnings statement distribution and unit commanders' financial reports. He developed and implemented policies enhancing operations in pay, travel, accounting and disbursing. As RM officer for the battalion, he set financial controls and prepared and executed expenditure ratios to maximize the resources available. He set up tracking procedures to monitor commitments and obligations using the Defense commitment accounting system. He greatly reduced pay error inquiries and strengthened relations with the community he served.

#### About the Author

*Lt. Col. Joseph M. Naylor was Functional Area 45 Proponency Officer and RM Awards Program project officer in the Army Comptroller Proponency Office when he wrote this article. He recently began a NATO assignment in Turkey. He has a BA degree in Management from Park College, Parkville, Mo., and an MA degree in Personnel Management and Administration from Central Michigan University.*

## PRMC classes graduate



# Moving to the Next Century

## RM Mentorship Program Computer Based Training

*By Cynthia L. Dawson*

"People - our most important asset." An axiom that we all accept has never been as evident as it is today. The success of tomorrow's Army depends on how well we train, develop, manage and retain our workforce. Mentoring is our starting point for moving into the 21st century. It can be assimilated into our culture with minimal turmoil and maximum benefit and can provide the competent and confident leaders we need, trained and ready for tomorrow. Computer-based training for mentoring will move us into the next century by providing the officer and civilian workforce the necessary knowledge and skills to be successful mentors and associates.

The mentor and associate work together to reach specific goals and provide each other feedback to ensure the goals are attained. They stimulate one another's professional growth through a reciprocal partnership. To enhance that building process, the Comptroller Proponency Office recently contracted to develop and present a self-study mentoring course by way of compact disk read-only memory-a CD-ROM computer-based training or CBT product. The course is aimed at captains through general officers and GS-9 through senior executive civilians who have been with the government at least three years and are interested in striving for a more knowledgeable workforce within the Army's comptroller career program.

Several mentors and associates were interviewed and completed written surveys. Their oral and written input helped the contractors design a prototype course whose goal is to teach officers and civilians basic mentoring concepts and enhance existing skills.

The user-friendly CD-ROM course is designed in the Windows environment and combines music and voice-over with visual screens. Mouse applications and menus help the user navigate through the course's four lessons on the Theory of mentoring, Goals for tracking the mentor-associate relationship, Scenarios depicting realistic mentor-associate interactions and References for further study.

In the Theory menu, the user enters a virtual-reality office building with several rooms or sub-menus containing information on Roles and Responsibilities, Process, Benefits, Stages, Characteristics, some Potential Obstacles and how to Cultivate a Successful Partnership between mentor and associate. From these sub-menus are tab cards that guide the user through how to obtain the best results.

The Goals menu is designed with five exercises to focus on the goals that users want to attain. The exercises help identify one's strengths and weaknesses as a mentor or associate. Once each exercise has been completed, the user can print the goals or save the information on a 3.5-inch diskette. The goals can be revised any time during the mentoring partnership.

The Scenarios menu has several interactive pieces that allow a mentor or associate to test individual knowledge and skills. The user must evaluate and analyze each scenario and then determine if his or her Responses were correct. This menu allows the mentor or associate to polish existing skills and build new ones.

The Reference menu is a bibliography in a library motif. It also contains the program's procedure documents as well as the evaluation and self-assessment forms.

This software is an excellent tool for anyone who has been or has thought of becoming a mentor or associate but maybe wanted a little more information. The RM Mentorship Program (RMMP) announcement for fiscal 1999 was recently published and distributed. The entire packet can also be located on the ASA(FM&C) Homepage ([www.asafm.army.mil](http://www.asafm.army.mil)).



### About the Authors

**Cynthia L. "Dusty" Dawson** is a Career Program 11 second-year intern with the Army Comptroller Proponency Office, having worked several years in Army Budget support positions and earlier completed military service as a personnel administration specialist. She has used the internship experience to become highly proficient in office automation skills and techniques while pursuing an off-duty four-year undergraduate program.



# Comptroller Civilian Career Program (CP 11) Intern Survey

*by Bessie M. Harris*

The Army's intern program provides a source for its future civilian leaders. It allows the Army to train and place highly qualified and motivated people into journey-level positions. On-the-job training, formal training, rotational job assignments and correspondence courses provide interns with skills, knowledge and abilities necessary to perform effectively in journey-level positions.

In February 1998 the Army Comptroller Proponency Office conducted an intern survey to solicit feedback from current CP 11 interns on their view of the program and to identify possible areas for improvement. Eight of 17 commands polled responded to the questionnaire. Out of 68 questionnaires sent, 48 interns or 71 percent completed and returned them.

According to the survey, the majority of interns currently work in the budget analysis or 560 job series. They reported anywhere from less than a year to 25 years' previous government or private industry experience.

The questionnaire focused on educational background, training plans, training and supervisor's involvement. Here are the results:

## **Educational Background**

Twenty-five percent of the interns had earned Associate degrees on their way to higher education; 92 percent had earned Bachelors degrees and 15 percent had received Masters degrees. Major fields were Accounting, Business Administration, Computer Science, Economics, Finance, International Business, Mathematics, Political Science and Public Administration.

## **Training Plans**

Most interns had received their master intern training plan in the first three months of their internship. A few hadn't received the plan until mid-year, two didn't know what the MITP was and two others had not received a plan at all.

Most agreed the MITP described the universal and unique requirements necessary for training and development in their career area.

Most had designed their individual development plans in the first three months of the internship.

Most felt their IDP reflected the appropriate training courses, on-the-job training and rotational assignments necessary for full performance in their functional specialty.

## **Training**

Most had attended the intern leadership development course.

Rating training on a 1 - 3 scale, "3" being the best, formal training courses were rated 2.4; on-the-job-training 2.2; rotational assignments 1.8 and correspondence courses 1.7.

Sixty-nine percent of interns didn't know the Army Comptroller Proponency Office was available to assist them with career development needs.

## Supervisor's Involvement

Most acknowledged their supervisor had discussed goals, aspirations and requirements of the intern program with them and felt their supervisor was available to discuss issues and concerns as they arose.

Most felt their internship was progressing well and that the intern program was both necessary and successful.

## Improvements

The questionnaire asked for recommendations for improving the program. Recommendations included:

- Re-look sites where interns are placed to ensure training/placement opportunities exist.
- Put more structure into rotational assignments (scheduled plan for training).
- Assign a senior analyst to each intern to ensure the intern receives the on-the-job training required.
- Have a point of contact from the Comptroller Proponency Office contact the intern at the start of the internship.
- Have formal interaction with the Proponency Office.
- Hold supervisors accountable for following the Army civilian training, education and development system or ACTEDS plan for CP 11 when developing the MITP.
- Create a central telephone line to provide information on intern training.
- Have Army interns meet for support and to exchange ideas.
- Develop and distribute an intern newsletter on the Internet.

The Comptroller Proponency Office plans on reviewing the above recommendations and implementing those that will provide the most benefits to our CP 11 interns. The Army's intern program provides a vital source of talented and dedicated professionals who are essential to the continued success of America's Army.

### About the Authors

*Bessie M. Harris is a Career Program 11 second-year intern with the Army Comptroller Proponency Office, having worked several years in private industry and elsewhere in the Army. She earned an Associate degree in Accounting at Blackhawk College in Moline, Ill., and holds a BS degree in Accounting from the University of Maryland.*

# PMCC class graduate

# Office R A G E -- The Modern Craze

by John Di Genio

**Author's Note:** *An analysis on the causes, ramifications, and prevention of violence in the workplace*

The causes of violence include changes in societal norms, an autocratic office environment, stress caused by domestic violence, downsizing and force reductions. This article looks at legal ramifications and the cost of workplace violence in terms of productivity and morale. Workplace violence can be prevented by

such means as training supervisors to observe changes in individuals' behavior and candidly discuss the changes with them. Other measures include training the workforce to identify warning signs of a potentially violent situation and establishing a policy of "zero tolerance" that says violence in its many forms will not be tolerated. Employee appreciation, exercise and meditation also can go a long way toward preventing workplace violence.

*"Human Violence is cultivated at all levels of society as it is seen as an increasingly acceptable predictable, natural act."*

-- Professor Getzel, Hunter College

Workplace violence has become a national epidemic (Miles, 1995). Supervisors, employees and customers have experienced some form of violence, be it verbal intimidation or a life-threatening assault. Employee-directed violence is one of the fastest growing crimes in the nation (Green-Slaughter, 1996). According to a 1993 survey by Northwestern Mutual Life Insurance Company, 2.2 million workers are physically attacked, 6.3 million threatened and 16.1 million harassed each year (Taylor). Society has extended "road rage" and other forms of street violence into the workplace. The expression "going postal" is now part of everyday accepted speech. Stress, downsizing and changes in societal values contribute to workplace violence. Here I look at the various causes of workplace violence, its legal implications, its cost on morale and productivity, and preventive measures.

I've chosen to define violence as an aggressive reaction to stimuli within the work environment aimed at supervisory personnel, an employee or a customer. These exploits include life-threatening acts of violence, destruction of property, intimidation, verbal and physical assaults and harassment. Suicide and violence resulting from criminal acts and terrorism are excluded.

The famous Roman orator, Cicero, once exclaimed in bitter disgust "*O tempora! O mores!*" ("**Oh what times! Oh what morals!**"). During an interview with PBS, David Puttnam, former president of Columbia Pictures, described how the Roman circuses became more "grotesque and sanguinary" to satisfy the spectators (Report, House of Commons, 1993). Modern culture has glorified violence in film, music and literature. This fascination and acceptance of violence has spilled over into the workplace. Abraham Maslow described "security" as a basic human need. The absence of job security in today's "reengineering environment" causes fear and uncertainty. These feelings of frustration manifest themselves through violent acts. Violence which originates in the household often carries over into the work area.

The desensitization of violence in modern society is a primary contributor to disorderly conduct in the workplace (Kennedy). The present entertainment industry features violence in the media to satisfy the public's insatiable demand. Popular music venerates rape and murder. The motion picture, *Falling Down*, turned an angry, murderous employee into a folk hero for violently taking matters into his own hands. Television is a great source of violence. A 1993 Canadian parliamentary report stated "American research has shown that American television programs tend to be violent (eight acts of violence per hour during prime time on the three major American television networks). . . Hundreds of studies have shown

that there is a positive correlation between television violence and antisocial behavior in individuals." (e.g. Report, House of Commons. . . ).

Unfortunately, petty bureaucratic czars still "rule" some organizations with an iron fist. Decisions are often made in secrecy. Office "spies" gain favor by reporting "seditious" employee activities to the boss. Fear and apprehension replace trust, confidence and loyalty in an office managed by a despot. Consequently, a dictatorial office environment breeds and nurtures a corporate atmosphere receptive to violent behavior. In a despotic office, employees are concerned that candid disagreement or an alternative suggestion to an executive decision will result in an adverse personnel action. Therefore, employees believe that "resistance" and "lashing out" at authority is the only option available to overcome a sense of subjugation. Colonel Richard Pomager, Jr., former provost marshal for the Army's Training and Doctrine Command, stated (in Miles 1995): "You're a lot more likely to have incidents of violence if your workforce has the sense that anything goes and nobody cares."

Relaxation is a commodity that few can afford in today's rapidly paced society. The lack of rest and quality time-caused by a highly competitive job environment-builds stress, frustration and eventually anger, anger that could result in violent acts aimed at supervision, another employee, customers or property.

Downsizing initiatives and increased workload responsibilities ("do more with less") have replaced the "job-for-life" security once enjoyed by the workforce. This new employee "insecurity" has caused an increase in stress-related illnesses. As the number of jobs decreases, competition and tensions among workers increase. Success on the job is often measured by promotions. However, the opportunity for promotions dwindles in a downsized environment, causing more stress and anxiety. Between 1981 and 1990, a period marked by contracting initiatives and force reductions, the number of compensation claims submitted by federal civil servants for emotional illnesses rose more than four-fold (Seppa).

Pagers and hand-held phones deny people the opportunity to unwind at the end of the day. The office, work or deadlines are always just a phone call away. According to Dr. Martin Beahl, a psychiatrist at St. Bartholomew's Hospital, London (in The Guardian, Scripps Howard News Service, 1997):

*" . . . Communication tools of modern life-fax machines, 'beepers,' the mobile phone-are exacerbating these pressures. They are pernicious for mental health. In the old days when someone contacted you, you would think about it and then communicate in writing, but with the mobile phone they may require your response while driving or sitting in the lavatory."*

The automation age has contributed to job-related stress. Even though the workforce has been reduced, management expects (and demands) quality work to be expeditiously produced. Office automation has made it possible to generate reports and presentations in a matter of hours, as opposed to the days of the "typewriter" and having the "illustrator" prepare charts and graphs. Ah, for the good old days, when there was no time for last-minute cosmetic changes. The endless stream of (re-)work in a reduced force environment adds to employee stress and frustration.

Just as violence has infiltrated the civilian workforce, it has also invaded the military (Miles, 1995). There have been violent outbreaks at Army posts involving disgruntled military personnel. Although the military force is smaller, the number of deployments has increased. Lengthy deployments and subsequent training rotations prevent military members from seeing their families and loved ones. Consequently, deployments exhaust military personnel. Insufficient rest and leave adversely affect morale, often to the point of anger.

Anger is a natural emotion that allows one to vent frustrations. I do not suggest that people refrain from becoming angry. That option is unhealthy and unrealistic. However, I maintain that anger should be properly channeled to permit the "peaceful" release of tension and frustration. Improperly channeled anger at a specific individual or object could possibly turn violent.

Employees bring "baggage" with them to the office. Often when a man is served divorce papers or a restraining order, he stalks his wife at her place of work. In the majority of the cases, men are the abusers

and women the abused; approximately 1.8 million women are victims of domestic violence (Johnson and Indvik, 1994). For women, murder is now the leading cause of death on the job (Miles, 1995). The stress associated with family problems feeds fuel to the highly combustible workplace environment. During times of emotional tensions, depressed individuals are likely to react violently.

Employers who fail to take adequate measures to protect the workplace from irate, violent employees have been held liable in court for damages and injuries. If an employee becomes threatening or violent, the employer can be sued for negligent hiring, supervision or retention. Employers should take basic precautions to reduce risks when hiring and retaining individuals.

Negligent hiring infers that an employer should have known that a certain individual selected for a position posed a threat. Employers can reduce this risk by contacting the applicant's former employers and thoroughly checking references. Additionally, employers should require that applicants account for gaps in their employment history. This process would demonstrate that the employer took care in screening applicants prior to employment.

Supervisors have a responsibility to take "reasonable care" to assure that their work areas are safe. Courts have held that the violent or threatening actions of one employee against another resulted from negligent supervision.

When, during the period of employment, an employee demonstrates behavior to indicate that he or she is unfit for duty, and the employer fails to take appropriate action such as counseling, disciplinary measures, or removal, the employer may be held liable for negligent retention.

Legal fees, punitive damages and the cost of remodeling the work area after a violent incident are just the tip of the iceberg. Employee abuse costs an estimated five to six billion dollars, and billions more are lost in harassment, defamation suits and workplace violence (Johnson and Indvik, 1994). According to a Center for Workplace Health and Safety report (Green-Slaughter, 1996):

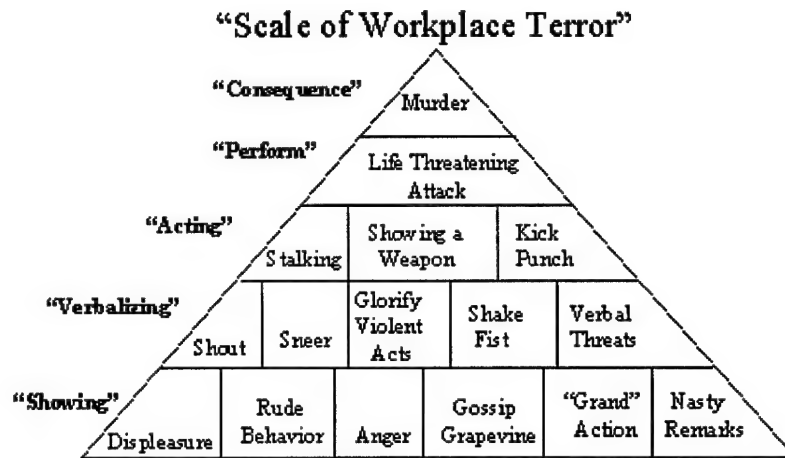
*"On an average day, three people will be murdered on the job. Homicide is one of the highest work-related deaths in the country (around 250 a year). There were 111,000 incidents of workplace violence in 1995 and these incidents cost . . . around \$4.2 billion."*

Once the workplace has a violent episode, employee confidence, productivity and morale greatly diminish. Fear of a subsequent incident looms in an already stressful atmosphere. Gifted and talented employees and supervisory personnel, concerned about their safety, eagerly search for other employment opportunities. The costs of leave and personnel turnover, to include a learning curve, are great. Customers become reluctant to conduct further business with the organization.

Open and sincere communication is an essential ingredient to prevent violence in the workplace. Employees do not become violent overnight; there are warning signs. Recognizing these signs can be the difference between life and death. The "Scale of Workplace Terror" (Figure 1) illustrates that workplace violence is progressive. As one moves to the right and up a level on the scale, the intensity of the violent actions increases. Management's objective is to nip violent acts while still in the "showing" phase. Additionally, offices that accept violent acts in the lowest plain ("showing") are more likely to have incidents of violence in the higher levels. Therefore, employers should enforce policy that violence, intimidation, verbal abuse and harassment will not be tolerated. Furthermore, in these stressful times, employers should encourage and permit their staffs to release tension either through physical activity or meditation.



Managers need to know their employees. Effectively using open communication, active listening and direct observation can reduce the risk of office violence. Observing behavior that is inconsistent with the employee's characteristic (for example, an employee who is typically well-groomed suddenly comes to work disheveled), and candidly discussing these changes, could diffuse a potentially violent situation. Pomager stated (in Miles, 1995):



*"A caring organization in which supervisors are willing to hear workers' concerns and to work at resolving conflict is a lot less likely to experience violence."*

Recommending that an employee seek professional assistance is an integral part of good personnel management and a positive method to prevent potential violence in the workplace.

The organization should establish and enforce a strict policy that does not tolerate any type of violent or threatening behavior. Pomager stated (in Miles, 1995):

*"Violence is often a building process. An organization that tolerates lower-level violence such as intimidation is more vulnerable to accelerated violence."*

Threats, bullying, harassment, carrying weapons into the work area, physical assaults, the destruction of property, and verbal abuse need to be reported and taken very seriously.

According to Mark Sayko, an employee relations specialist at the Army Materiel Command (in Miles, 1995):

*"Violence doesn't just happen. There are always signs. . ."*

Training should educate workers to identify violence in its various forms, catch the warning signs that an individual could potentially turn violent, and become sensitive to the consequences of disregarding violent and threatening signs and actions. **Prevention is the key.**

Stress and tension need to be released in a manner that promotes good [mental] health. Employers should encourage their employees to release their stress through exercise and/or meditation. Releasing tension through positive, life-affirming activities could prevent violent reactions stemming from a stressful office environment.

Management should involve employees in crucial organizational strategies. The organization should make its personnel feel they are worthy contributors to successful operations and that their efforts are appreciated. Misunderstandings often cause office violence. Positive management-employee relations will foster trust within an office and greatly reduce adverse impact on morale from cliques and harmful gossip spread through the office "grapevine."

Violence that exists within society is making its way into the workplace. There are severe ramifications and costs associated with office violence. Morale and productivity decrease. Gifted, talented and loyal employees leave the organization. "Customers" take their business elsewhere. Management's goal is to create a workplace climate free of violence. That is accomplished through knowing the employees ("sensing"), establishing a policy of "zero tolerance," training and education, providing an opportunity

for employees to release stress and tension, and showing appreciation. Taking positive steps to prevent workplace violence will reasonably assure a safe and secure office environment essential to retaining quality, productive employees and customers.

**Ed. note:** A new Office of Personnel Management handbook, "Dealing with Workplace Violence: A Guide for Agency Planners," offers a comprehensive approach to preventing and dealing with workplace violence. It guides an agency through the basic steps of developing policies, programs and prevention strategies, and presents actual case studies to assist in analyzing agency needs, planning programs and training personnel to respond to violent situations. Readers may download the handbook by visiting the OPM website, <http://www.opm.gov/workplace>.

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### About the Author

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# Managerial Cost Analysis

by David Comings and Dale Geiger

*This is the second article in a series of three about the managerial costing training package developed by the U.S. Army Cost and Economic Analysis Center. It is a tool to arm managers in fighting the Cost War (**Declaring, Fighting and Winning the Cost War**, Dale R. Geiger, RM, 3rd Qtr '97). Army managers can use this series to better develop their skills in cost measurement and cost management and become true cost warriors.*

CEAC asked Dr. Geiger to develop a comprehensive managerial costing training program to help Army managers better understand and implement managerial costing initiatives (**Cost Analysis Perspective**, Robert W. Young, RM, 4th Qtr '97). The training material comes in three

modules, Fundamentals of Activity-Based Costing, Managerial Cost Analysis and Managerial Costing-Based Management. For more information, readers may visit the CEAC managerial costing web site training section at <http://www.ceac.army.mil/web/default.html>; request a compact disk-CD-with audio instruction via the homepage e-mail feedback address; or call David Comings at DSN 761-3337, (703) 681-3337.

The managerial cost analysis module is an easy-to-use self-paced course in the cost analysis methodology that gives managers and analysts just what they need to better manage costs. It covers fundamentals and specifics and contains examples, problems and solutions to quickly instill the right know-how to support commanders in cost management. It does so by addressing the topics of cost relationships, tradeoffs, cost projection and cost explanation. This article highlights variance analysis, the reconciliation format and transfer pricing. These are advanced subjects crucial in producing information that Army cost managers need most. They are treated concisely in the course but abbreviated here. See the course material.

**Cost Relationships and Tradeoffs.** The review of cost relationships covers linear to multivariable non-linear forms. These relationships are fundamental to managerial cost analysis because the cost elements of managerial interest are the variables in the cost relationships that are used to manage cost. Much of the value of managerial cost analysis flows from the ability to inform decision-makers about the economic impact of their choices and alternatives. Tradeoff analysis is a key aspect of this input. The tradeoff section covers break-even analysis, economic order quantity, uncertainty, multiple-period costs, agency costs, fraud versus audit costs and quality costs.

**Cost Projection and Cost Explanation.** Cost projections help managers make commitments for future performance. Management is accountable for all variances from projections. Once actual performance has been determined, the operating manager's responsibility includes explaining the inevitable differences between projected and actual performance. This accountability is essential to the cost management paradigm and concludes the cycle of commitment. The cycle of commitment, performance, and explanation has the effect of formalizing the process, leading to continuous improvement in cost management.

**Concept of Variance (Module 19).** Variance is simply a difference between an expectation and a result-in this context, the forecast commitment and actual performance. For example, fuel cost for your trip is higher than you had expected. This difference is known as the total variance and is shown in **figure 1**.

**Fuel Cost Variance**

	Forecasted Cost	Actual Cost	Total Variance
<b>Fuel Cost</b>	\$30.00	\$37.38	(\$7.38)

Variance analysis is a management tool that decomposes the difference into components. There are three basic possibilities for explaining the extra fuel cost:

You traveled more miles than you had anticipated, your actual cost per mile was greater than you had

budgeted or there was some combination of these two factors.

We can determine the cause of the variance using the volume variance template shown below. This type of analysis tells us how much the extra miles influenced results and how much our cost per mile performance influenced results.

Completing this template requires computing the flexible forecast, a concept that we touched on in Section 3. The flexible forecast recognizes the change in total cost caused by a fluctuation in volume. It shows us what our cost should have been given the increase in volume and the planned cost per mile. In this case, the flexible forecast consists of the actual miles driven multiplied by the forecasted cost per mile.

**Volume Variance Template**

	Actual	Performance Variance	Flexible Forecast	Volume Variance	Forecast
Miles Driven	575		575		500
Cost per Mile	\$0.65		\$0.06		\$0.06
Fuel Cost	\$37.38	(\$2.88)	\$34.50	(\$4.50)	\$30.00
Total Variance			(\$7.38)		

Comparing the flexible forecast with the forecast gives us the volume variance, which tells us how much of the cost overrun was due to the extra miles we drove. This is an unfavorable variance, and is shown in brackets.

The comparison between the actual cost and the flexible forecast gives us the performance variance, which tells us how the cost per mile impacted the total cost. In this case, our cost per mile was one-half cent more than we had budgeted. This is also an unfavorable variance. Notice that the sum of the performance variance and the volume variance is equal to the total variance.

**Price and Efficiency Variances (Module 20).** The examples in Module 19 give us some important information, but do not tell us why our cost per mile was higher than we had expected. This difference can also be decomposed into two components, an efficiency component (miles per gallon) and a price component (dollars per gallon). To break down the performance variance, we applied our mileage example to the performance variance template in [figure 3](#).

**Performance Variance Decomposition**

Resource Level Actually Used *	Price Variance	Resource Level Actually Used *	Efficiency Variance	Resource Level Should Have Used *
Price Actually Paid		Price Should Have Paid		Price Should Have Paid
22 gallons		22 gallons		23 gallons
*		*		*
\$1.70		\$1.50		\$1.50
\$37.38	(\$4.38)	\$33.00	\$1.50	\$34.50
		(\$2.88)		

When we prepared our forecast, we assumed that the cost per gallon of fuel would be \$1.50. We also assumed that our vehicle would get 25 miles per gallon. Given that we drove 575 miles, we should have used 23 gallons of fuel. This information is available to us from the flexible budget. The first step in performance variance analysis is to determine how much of the performance variance is due to a difference between the

planned efficiency (gas mileage, in this case) and the actual efficiency.

Our actual results show that we actually used less gas than we had planned. By multiplying the actual number of gallons by the forecast price and comparing it with the flexible budget, we see that we had a favorable efficiency variance of \$1.50.

Next, we compare this efficiency-adjusted figure to the actual results. Given the total cost and the cost per gallon, we can calculate that we used a little less than 22 gallons of fuel. The price variance, therefore, is \$4.38 unfavorable. This template allows us to see that, while our vehicle performed more

efficiently than we had hoped, the higher fuel price obliterated the savings from the improved gas mileage. Notice again that the sum of the price and efficiency variances is equal to the performance variance.

It is very important to break down variances in this way. A simple comparison of forecast total cost and actual total cost may be misleading. Management may mistakenly assume that any unfavorable total variance is due to poor performance, while any favorable total variance means that performance was good. This faulty analysis totally ignores the components of volume, price and efficiency.

**Reconciliation Format (Module 21).** A key part of the cost explanation process is the reconciliation or explanation of differences in actual performance to forecast. The last module showed how the total difference or variance could be decomposed into contributing pieces. The purpose of this module is to define a format and methodology for presenting such variances and other managerially useful explanations.

**Figure 4** shows a forecast for a hypothetical Army organization.

At the end of the first quarter, the organization holds an after-action review (see **figure 5**). Management reports the following results, showing the variances as "delta forecast". This table shows the variances by source. That is, there are unfavorable variances in military personnel, vehicle cost and supplies, while there is a favorable variance in civilian personnel. Again, the sum of all the individual variances is equal to the total variance.

**After-Action Review**

	fourth qtr	first qtr	1st qtr fcast	delta fcast
milper	200	201	200	(1)
civper	60	40	60	20
vehicle	100	105	95	(10)
supplies	100	103	101	(2)
total	460	449	456	7

attributed to miscellaneous other cost increases.

This analysis does not indicate whether the cost per mile variance is due to price or efficiency. We don't know if the vehicles were operating inefficiently, or if the fuel price increased. However, the explanation does indicate that the increase in cost was not due to an increase in driving miles (volume).

If it is significant, the explaining manager may wish to show the price and efficiency variance. The decision on how much detail to show is based on the same logic as Pareto analysis. It's much better to concentrate on the significant few rather than the trivial many. Nothing is worse than a meeting called for the purpose of explanation that instead confuses and misleads the audience with meaningless detail and abstraction. The technical, accounting term for this outcome is "blowing smoke."

**Hypothetical Forecast**

	fourth qtr	1st qtr fcast	2nd qtr fcast	3rd qtr fcast
milper	200	200	220	220
civper	60	60	30	30
vehicle	100	95	95	95
supplies	100	101	101	101
total	460	456	446	446

Once the variances

history

forecasts

are known, management is responsible for explaining the differences. **Figure 6** shows the explanation for the major contributing effects and events. Early retirement of four civilian personnel explains the favorable variance of 20 in the civilian personnel category. Fuel cost per mile increased, which accounts for the unfavorable variance there. The rest of the unfavorable variance can be

**After-Action Review Analysis**

	1st qtr fcast	first quarter	delta fcast	total cost
				456
				449
				7
explanation				
retired four civper early				20
increased fuel cost per mile				(10)
misc other				(3)
total explained				7

Variance analysis alone has little value outside of the reconciliation process. Understanding and explaining differences is a prerequisite to learning and improving performance. Variance analysis is especially valuable when combined with indices as a measure of performance. Management may want to know cost per unit, for example. However, cost per unit may vary widely with the number of units produced and other factors. Evaluating cost per unit in light of the variances and the accompanying reconciliation allows management to identify areas for improvement.

**Transfer Pricing Issues (Module 23).** A transfer price is an artificial price based on cost or market value that is used to value the output from one operation and the input to the next. These valuations are called intra sales and intra costs. This methodology allows each unit to forecast its own sales, costs and profit and compare them to actual performance.

For example, consider an engineering organization that has two decentralized functions, design and building. The design function incurs cost to develop project drawings and specifications that it "sells" to the building organization. The designs are a cost to the building function, which then builds the project and sells it to an external customer. Transfer pricing design's output allows each functional unit to compute its own revenue, cost and profit. Transfer pricing also allows upper management to view the profit contribution of both entities as if they were separate, stand-alone organizations.

Consolidation of sub-unit performances requires that intra sales and intra costs must be eliminated. Simply adding design's and building's total costs and revenues would overstate the cost and revenue of the total organization. The intra organization valuations must be eliminated, as indicated in **figure 7**.

**Intra-Organization Transaction Eliminations**

	Design	Build	Eliminations	Total
Revenue		1000		1000
Intra revenue	100		-100	0
Cost	80	800		880
Intra cost		100	-100	0
Net profit	20	100	0	120

**Summary.** This article briefly touched on four of the sessions included in the managerial cost analysis or MCA package. Additional material and subjects in the training package include linear and non-linear cost relationships, discounting and

time value of money calculations, break even analysis, economic order quantity, uncertainty, agency cost, quality cost, projections, backward chaining and master budgeting, trends, planning factors, product mix and transfer pricing.

MCA helps understand true economic cost based on cause-and-effect relationships. It reveals key cost drivers and quantifies them with reasonable accuracy. It ultimately promotes better resource management by properly costing "free goods", stimulating beneficial behavior change and enabling accountability for cost management.

The next article in this series will introduce managerial cost-based management. For more information, readers may visit the CEAC managerial costing web site training section at <http://www.ceac.army.mil/web/default.html>; request a compact disk-CD-with audio instruction via the homepage e-mail feedback address; or call David Comings at DSN 761-3337, (703) 681-3337.

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# Service-Based Costing: A Tool To Defend Costs And Achieve Savings?

*by Christie Parker Smith*

Service-based costing or SBC is a tool to achieve major economies and efficiencies. It arose from the need to link dollars to output. Its intent is to measure output produced and costs incurred to provide base operations services.

The Army currently has no system to measure its performance of base operations or BASOPS support. Although challenges exist to its implementation, SBC can correct this deficiency. The need to have a system of performance measurement comes from two recent laws, the Government Performance and Results Act or GPRA and the Chief Financial Officers or CFO Act. GPRA says performance measures must be defined for services an organization performs while budgeted dollars link to performance. The CFO Act says goals must be defined with an audit trail to track whether the goals were met.

What is SBC? It's a new methodology to measure the costs of resources consumed for certain of the 95 BASOPS support services typically provided at an installation. The Army collected data on 122 services using fiscal year 1995 as a baseline against which future data would be compared. Commanders can use the baseline data as a management tool to measure change, identify opportunities for improvement, aid in developing budget requirements and provide a sound basis for measuring the impact of change to base support. The applications help installations provide predictable levels of support within available resources.

Establishing cost and performance standards using SBC is key. We must know what mix of services at what cost is appropriate. With planned SBC savings estimated at \$8.8 billion in the current six-year budget plan or POM, major economies and efficiencies are needed in BASOPS support. High-cost operations are an appropriate place to look in spite of opinions to the contrary. Cuts are coming whether or not we are ready. We therefore need to be prepared and proactive to achieve savings or face being told what services and costs to cut.

How would SBC work? It works by forcing comparative analysis and critical thinking. The baseline is a departure point to compare service costs to what they should cost Army-wide. Ultimately, the Army will establish an acceptable range of costs by service. SBC allows comparison of what is affordable by prioritizing what is needed. If sufficient dollars are not available within the budget for a particular service, that service will not be provided. In other words, that service does not have sufficient priority. Affordable services have priority.

In addition there are critical thinking issues to consider, such as, should we continue to provide certain BASOPS services? Is a particular service directed by statute? Is the service mission-essential? Can we scale back the level of service? If another installation provides BASOPS cheaper, how does it do so? Do alternate delivery methods exist? Delivery methods garner much attention because a common assumption is that contracting automatically saves money. That assumption does not necessarily work in practice.

Where are we? There are positives and negatives. The Army has established its baseline. An after-action review has uncovered excessive services with performance measures needing improvement. Data collection has proven unwieldy because the current accounting system does not align with services. On the other hand, service areas can be identified for economies and efficiencies, and a baseline has been established to showcase improvements.

What is next? Data for fiscal years 1996 and 1997 were collected concurrently in November 1997. Effective next Oct. 1, new Army management structure codes will align with SBC services. The ultimate aim is performance-based budgeting. Are we at a point where we can defend costs and achieve savings?



The answer is, not yet. Work that still needs to be done includes establishing performance, service quality and cost standards. Once we prioritize what is needed, we can determine what we can afford. SBC is just one step toward performance-based budgeting. Knowing what is needed at what cost, defending costs and achieving savings are the logical next steps.

Several challenges remain, a major one being whether the Army will use SBC to concentrate power at headquarters level and eliminate the flexibility of commanders to tailor BASOPS services to meet their commands' unique needs. Other challenges include annual changes in the accounting structure, which cause difficulty in comparing data from year to year, and varying interpretation of cost elements and performance measures by operating personnel. If operating personnel interpret data inconsistently, the situation with SBC becomes "GIGO," that is, "garbage in" with "garbage out" as the product. We must overcome these challenges to reach the goals of defending costs and achieving savings.

#### About the Author

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## AMSC classes graduate



# ---- PERSPECTIVES ----

- Budget
- Financial Operations
- Resource Analysis and Business Practices



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## ---- PERSPECTIVES ----

### **OASA(FM&C) BUDGET**

*by Maj. Gen. Clair F. Gill*

#### **OPMS XXXI and the comptroller functional area**

This is an exciting time to be part of the Army team. We stand at the threshold of the 21st century. Every one of you plays an important role in this ever-changing Army. A part of this change is the Army Officer Personnel Management System (OPMS) Task Force XXI. OPMS XXI is a work in progress that will fundamentally change how officers are managed and promoted. The focus is on active component officers within the Army competitive category. It does not directly address personnel management of National Guard and Army Reserve officers; however, the reserve components have worked to ensure their personnel systems are closely aligned with the active component. OPMS XXI will be implemented in a deliberate and phased manner, transitioning the entire officer corps between now and 2002. This initial year of OPMS XXI allows you to study the system before making critical career decisions.

The mission of the OPMS is to access, develop, assign, and separate officers consistent with the Army's needs and to enhance their effectiveness and professionalism. The task force has recommended many changes on how the Army should manage, develop, and promote officers for the 21st century. These changes are essential to developing an officer corps with the right skills, knowledge, and attributes to

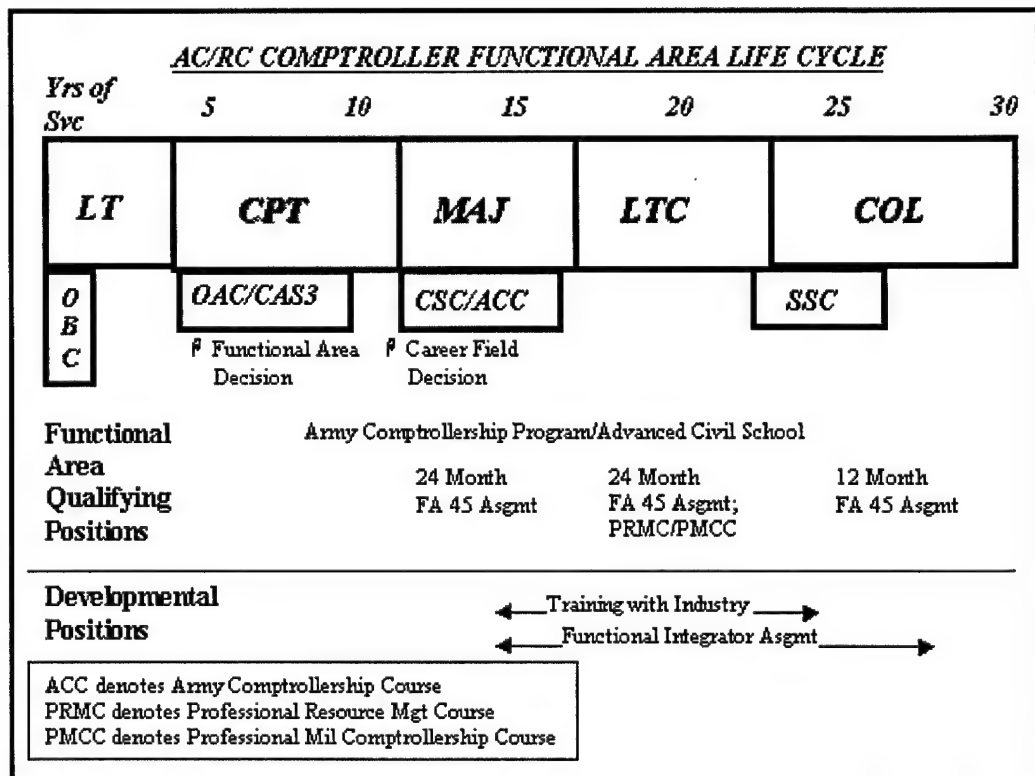


respond to evolving and future challenges. DA Pamphlet 600-3, *Commissioned Officer Professional Development and Utilization*, is being rewritten to incorporate many of the task force's recommendations, including these:

- **Career field-based system.** OPMS XXI restructures the Army competitive category by grouping branches and related functional areas (FA) into four occupational categories called career fields (CFs). Comptroller, FA 45, is a FA within the institutional support career field, where trained and experienced officers respond to the resource management requirements of the full spectrum Army of the 21st century. Once assigned to a single CF, officers in that same CF will compete for promotion. Under this system, the officers will satisfy their branch or FA requirement. This will end the "double counting" practice in effect today during promotion boards. Each CF will have its own distinct mission and development track for officers.
- **Career field designation process.** Through this process, CFs will be assigned to officers following selection for major, with consideration given to their personal preferences, but primarily in light of their best qualifications to meet Army needs. The designation into a specific CF will encompass the officer's career management, development, and promotion.
- **Functional areas.** OPMS XXI recommended some FA additions and deletions to meet Army requirements in the 21st century, but there were no changes to FA 45.
- **Inventory and authorization alignment.** Balancing and aligning field-grade authorizations are critical to OPMS XXI success. These actions will be done by aligning authorizations to inventory at the grade level of detail and recoding the force at the skill level of detail. The realignments and recodings will take effect in authorization documents for fiscal year 2000.
- **Promotion system.** Today's system of year-group-wide competition for promotion to lieutenant colonel and colonel will be replaced by one of competition only with others in the same CF-a measure that should provide for essentially equal promotion opportunity among all the career fields.
- **Military education.** OPMS XXI calls for resident command and staff college education-military education level or MEL 4-for all officers selected for major. Training and Doctrine Command is still exploring alternatives for how to do this. Also being studied is the feasibility of providing colonel selectees resident senior service college-level education, MEL 1.

DA Pam 600-3 Chapter 31, *Comptroller Functional Area*, has been revised to show more clearly the qualifications required at each officer grade and to include typical developmental assignments. The changes include:

- In the new institutional support career field for FA 45 officers selected for major, officers will serve exclusively in FA 45, with an occasional opportunity for



assignment to a functional integrator position.

- FA 45 officers can expect to complete one 24- to 36-month functional integrator assignment prior to selection for colonel.
- All FA 45 officers can expect to attend Command and Staff College (CSC) and the Army Comptrollership Course (ACC), with ACC becoming the new capstone course for CSC graduates.
- Advanced civil schooling will get expanded emphasis to meet the Army educational requirements for advanced degrees.
- Training with Industry program opportunities for professional development will be increased.

The accompanying figure depicts a Comptroller FA with qualifying positions. The life cycle development model is the same for active and reserve components and also identifies developmental assignments within the functional area. Note that FA qualification is not based on completion of a developmental assignment.

The OPMS XXI goal, "Better for the Nation, Better for the Army, Better for the Officer," signals continuous process improvement. From this premise, OPMS XXI began developing a concept for an Army-wide officer distribution system (ODS). "ODS XXI" will continue to build on the work of OPMS XXI. This evolution will ensure that the Army maintains its preeminent warfighting capability by developing the right officers for the right jobs to meet Army requirements, not only for today but well into the next century.

During a training opportunity many will have in San Antonio, Tex., the end of May, we plan to present a workshop on OPMS XXI. I ask that you conduct some personal inquiry, educate yourself, and look forward to the challenges that OPMS XXI and ODS XXI hold for the Comptroller functional area, reflecting on what you have already accomplished. You will have an opportunity to go from a warfighting background to a specialized functional area of concentration. With OPMS XXI and ODS XXI, the Army will continue to produce officers of character who embrace and personify its values to lead its soldiers effectively under the demands and hardships of combat. With its periodic self-assessment, OPMS XXI and the successor ODS XXI will continue to develop officers that the Army needs to remain ready-ready today and tomorrow.



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## ---- PERSPECTIVES ----

### OASA(FM&C) FINANCIAL OPERATIONS

*by Ernest Gregory*

On April 3, 1998, the Defense Department announced that NationsBank had been selected to provide travel charge card services for DoD beginning November 30, 1998. Under the General Services Administration's master contract, NationsBank was one of four contractors qualified to compete for each federal agency's travel card business (the others were American Express, Citibank and US Bank). Each federal agency selected its travel card contractor through a task order issued under the GSA master contract. A Defense team of military service representatives refined DoD requirements, developed the department's task order and reviewed proposals from the four contractors. The team's best-value assessment went to NationsBank, which was then awarded a two-year task order (like a contract), with three additional one-year options to be exercised at the government's convenience.

NationsBank will provide a Visa travel charge card with wide merchant acceptance and easy access to cash through automatic teller machines and banks. It will also provide a superior on-line system that program coordinators will use for day-to-day program administration and that cardholders can use to review their accounts, make inquiries and dispute charges. The new GSA contract and DoD task order have strong requirements for contractor-furnished training, to include on-site training for any group of 25 or more, on-line tutorials, guides for program coordinators and cardholders, and training videotapes. Other features of the new contract-like task order include:

1. a single billing cycle for each DoD Component (to simplify account transfers),
2. electronic activation and deactivation of cards ("on demand" by program coordinators),
3. travelers' checks billed only when used (not when issued) and
4. software to reconcile centrally billed accounts like airline tickets bought by DoD travelers through contract travel offices.

A DoD travel card program management office is now set up in Defense Finance and Accounting Service headquarters. The office is working closely with NationsBank and the military services to plan close-out with American Express (the old contractor) and the transition to NationsBank. A "kick-off" session was just conducted to introduce NationsBank personnel and services to the DoD component travel card managers. There is still much to be done, and guidance is forthcoming, but our primary goal is to ensure the smoothest possible transition. The new contract will provide expanded services, and it should (through the on-line system) reduce program coordinators' workload and increase their capability. It also offers unit commanders, managers and program coordinators a fresh start for their travel card programs. I urge you to seize this opportunity to begin again. Aggressive action now to combat card misuse and delinquency will put you in a position to start the new contract with a clean slate next November.

I am proud to announce that on March 20, 1998, we published the Army's annual financial report for fiscal year 1997. The report, Stewardship for an Army in Transformation, is another milestone in our journey to implement fully the Chief Financial Officers (CFO) Act of 1990. As our first attempt to produce a "corporate-style" annual report, it replaces both the annual financial report and the annual financial report guide we published in the past. The 1997 report is a quantum leap from our past reports and those of other DoD components, in both substance and style. It is another example of how the Army continues to lead DoD in implementing the CFO Act.

The CFO Act seeks expressly to improve federal financial management. A measure of that improvement was to be the publication of annual financial statements subject to audit, with a management overview section that addresses military service performance measures and financial management improvements. The 1997 report marks the seventh year that Army financial statements have been prepared in accordance with the CFO Act. While our auditors have been unable to express an opinion on the reliability of the data in these financial statements, each successive audit has noted improvement in accounting controls, processes and systems.

The 1997 report details our continued pursuit of improved financial management as we increase efficiencies and reduce costs. We are streamlining operations, adopting innovative commercial practices, increasing the use of state-of-the-art technologies and reorganizing processes and programs to generate

savings. These savings will help the Army maintain an end-strength commensurate with operational commitments, invest in essential modernization programs and increase spending on vital quality-of-life programs. We are working to instill the concept of efficiency Army-wide. By encouraging better business practices, innovation and empowerment of the workforce, the Army is developing a culture that will promote cost-effectiveness in a rapidly changing political, technical and economic environment. Long-term readiness is linked to the ability to make maximum use of resources. Financial management initiatives cited in this year's report include the Joint Reconciliation Program, progress in problem disbursements, the Army's purchase and stored-value cards, specific versus open allotments, travel reengineering and cost management.

The Army's annual financial report can be found on the CFO page of the Financial Operations web site (<http://www.asafm.army.mil/fo/cfo/cfo.htm>). I am extremely proud of this report and the hard work and vision that it represents. I encourage each of you to take the time to read it.



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## ---- PERSPECTIVES ----

### **OASA(FM&C) Resource Analysis and Business Practices**

*by Dr. Robert Raynsford*

Our guidebook on "*Sources of Funds for Army Use (Other than Typical Army Appropriations)*" has just been updated to include new revenue-generating authorities approved in the Defense appropriation and authorization acts for 1998. The guide helps installation commanders and resource managers carry out their stewardship responsibility. It provides in a single document an overview of additional sources of funds that may be available to installations for certain purposes. It includes a description of the programs that generate funds, pertinent laws and regulations, the money flow and the functional proponent for each program. To provide a comprehensive picture of the resources available to installations, the guide includes information on public/private ventures, nonappropriated funds and morale, welfare, and recreation commercial sponsorships. It also describes proposed legislative changes that may yield even more sources of funds.

The current year appropriation and authorization acts approved several new sources of funds. One of them relates to reimbursement of administrative expenses in making certain real property transactions.

Previously, installations had to absorb these expenses. Under the new law, reimbursements can be accepted from non-federal persons or entities for expenses of exchanging installation real property, granting easements on real property and leasing real property. The amounts collected are credited to the currently available account from which the expenses were paid.

Another new fund source is financial incentives for energy savings and water conservation activities. Private utilities use these incentives to encourage military installations to participate in energy and water conservation programs. Prior to the 1998 acts, whenever installations received cash incentives for conservation, they had to deposit the cash in the funding account that paid for the conservation project, such as Military Construction or Family Housing Construction. Since those accounts were not available to installations, they did not benefit directly from their efforts. The new legislation authorizes the Secretary of Defense to designate the account into which the monies are deposited, thus enabling installations to reap the benefits.

The 1998 authorization act also provided permanent authority for each military department secretary to privatize a utility system. In the past, each utility privatization case required specific legislation to authorize it, and the consequent delays proved expensive. Now, any lump sum payments received under the new law can be credited to an account available for the purchase of the same utility services as are provided by the utility system conveyed. The payments can also go to accounts available for energy savings or water conservation projects or improvements to other utility systems.

Installation resource managers should consult the guide to help determine if they can use any of these incentive fund sources at their installations. The guide is being distributed to resource managers and is also available on the World Wide Web at the OASA(FM&C) home page, [www.asafm.army.mil](http://www.asafm.army.mil).





# Professional Development HIGHLIGHTS

## AMSC nominatins need shoring up

Army Management Staff College nominations could use a little shoring up, according to a recent memo from Carol Ashby Smith, functional chief representative for the Army's Civilian Personnel career program. Of the 425 applicants for eight recent classes boarded, five class groups had a total of 42 applicants who weren't selected—a 10-percent overall rejection rate. Here are some reasons, from boards' comments:

- Generally FCRs did not respond to their forms' two questions about the appropriateness of schooling at this stage and the appropriateness of the post-utilization plan. Responses often were 'rubber-stamped' replicas from one application to another, with no relevance to any one specific individual. Many responses were performance evaluations and recommendations instead of the required assessments of appropriateness.
- Inconsistent ratings within individual folders lessened their influence on the board. Senior rater profiles, where provided, were very helpful.
- Many of the performance appraisals were duplicates from one year to the next, regardless of change in raters.
- Disappointing quality of rater and senior rater evaluations using Total Army Performance Evaluation System or TAPES.
- Non-selected applicants' overall records did not indicate that they had the solid performance that would warrant the investment of this training or that the training would significantly improve their performance.
- Quality of candidates' write-ups was poor, especially in grammar and sentence structure. Also, candidates and the chain of command should ensure that responses in this important document clearly and concisely answer questions asked.
- Overall, DA Forms 2302 (resumes) were outdated or had incomplete information on accomplishments and awards. This form is a primary tool for board members and greatly influences the evaluation of files.
- Many cases where the applicant's 'post-utilization' plan was ill-defined or non-existent.
- Little or no pattern of leader development reflected in files, to include supervisor and FCR comment. It was somewhat hard to tell if a particular candidate was on track and a good candidate for the school at this time.

Smith suggests that participation as a board member is an excellent way to observe and understand the selection process to conclusion, adding it's one of the best ways to see the competition outside one's own career program. Senior executives and GS-15s interested in serving on a board can contact Penny Berardelli by e-mail at [berardep@asamra.hoffman.army.mil](mailto:berardep@asamra.hoffman.army.mil).

Meanwhile, for those applying for AMSC, and for their supervisors, here are some helpful hints to put some sparkle and class into application packages:

### General:

- Follow a recommended training plan (such as a career program Army civilian training, education and development system or ACTEDS plan)—enroll in appropriate training in a progressive and sequential order.



- Submit on time; check with personnel advisory center for deadlines; start early.
- Prepare package carefully and with thought, as it is all the board knows of the nominee.
- Use forms only from the current annual training catalog; limit input to the space allowed on the forms.
- Assemble forms in the order listed on the checklist.
- Don't use unauthorized continuation sheets; DA Form 2302-1 is the only authorized continuation sheet.
- Type everything, no smaller than 12 pitch (10-point or larger Arial or Times New Roman is recommended).
- Ensure that the reverse sides of double-sided forms are included.
- Copy of command or agency transmittal, containing rank order, must be included in each copy of each nomination package.
- Do not use tabs or dividers.
- If applicable, memorandum requesting waiver of eligibility requirements must be signed by second level supervisor and also must specifically address utilization for return on investment as well as nominee's demonstrated leadership abilities or potential to assume a leadership position. It should be placed immediately behind the command transmittal.
- Consult AR 600-3, The Army Personnel Proponent System, Table 1-54, to determine appropriate career program or career field code if unknown. The code should be based on nominee's current series and preponderance of duties.
- Nominees, supervisors, career program managers and FCRs, respectively, should provide meaningful comments that answer the question-especially the nominee's statement of interest, the supervisor's utilization plan and the FCR's concurrence/comment.
- Be sure to include SF 181, Race and National Origin Identification, which is required for statistical purposes.

#### **DA Form 2302, Civilian Qualification Record:**

- Ensure jobs track consecutively, in reverse order, Part I; show temporary promotions or details to other duties separately; account for any periods of unemployment and military service; and use DA Form 2302-1, Continuation Sheet, if necessary.
- Don't use acronyms if they are not commonly known Army-wide.
- Reflect any and all formal education beyond high school, Part II, even if a degree was not obtained; but, do not exceed the space on the form. Reflect quarter/semester hours earned.
- Document significant training and self-development, Part III, limiting input to what will fit on the form.
- Awards: Supervisors and managers are encouraged to make greater use of honorary awards that would be documented in Part IV. Do NOT attach copies of certificates.
- If in doubt, consult AR 690-950 for detailed instructions.
- Sign and date the DA Form 2302!

#### **Performance Appraisals:**

- Submit legible copies of the three most recent and consecutive annual appraisals, to include military evaluation reports and appraisals from other federal and non-federal agencies. If nominee does not have three consecutive appraisals, an explanation must be provided on plain bond paper that has been verified and signed by a local personnel representative.
- For TAPES appraisals, use the senior system civilian evaluation report (DA Form 7222) and senior system civilian evaluation report support form (DA Form 7222-1); ensure that both forms are completely filled out, including the senior rater's part (Part VIII, DA 7222), and that the DA 7222-1 submitted is the annotated version (i.e., "E" or "S" by each performance objective).

## **Developmental assignment in ASMC**

What if you could take a paid leave of absence from your job for a year, and go to work instead in

downtown Alexandria, Virginia, in the headquarters of the American Society of Military Comptrollers? What if they made you the Associate Director for Professional Development of the whole society, and paid to send you all over the country to chapter meetings, regional symposiums and the national Professional Development Institute, to orchestrate training events and make things happen? Not a bad deal, you say? Read on! The ASMC, in coordination with the Under Secretary of Defense (Comptroller), is soliciting applications to fill the position of Associate Director of Professional Development, to be detailed for one year under provisions of the Intergovernmental Personnel Act mobility program. That program allows governmental personnel to be assigned to nonprofit professional organizations whose principal functions include the offering of professional advisory, research, educational or development services or related services to government personnel. The assignment, which involves frequent travel, will begin next October and last up to a year. If an Army person is selected, the Comptroller Civilian Career Program will pay his or her salary and benefits. Travel costs will be paid by the ASMC. Below is a description of the general duties of the position and details on how to apply. Nominations are due not later than August 14, 1998. Applications must be forwarded through the individual's supervisory chain of command, since both fiscal and personnel resources are being committed. More information is available from John Raines, in the job now, at (800) 462-5636, [asmcjr@aol.com](mailto:asmcjr@aol.com).

- **Eligibility:** Financial management professionals, GS 11 and above, all series.
- **Major Duties:**
  - Support professional development, education and training.
  - Facilitate the conduct of local training at the various chapter locations by:
    - Arranging guest speakers.
    - Speaking at symposiums and chapter luncheons.
    - Developing exportable professional development packages.
  - Synchronize local training efforts with the National Professional Development Institute.
  - Support the Professional Development Institute by conducting a workshop for ASMC chapters.
  - Provide accurate and timely feedback to leadership and senior officials regarding impact of DoD programs at the field level.
  - Liaison with the Joint Financial Management Improvement Program (JFMIP) and Chief Financial Officer Human Relations Committee.
  - Liaison with other professional organizations and societies to promote the education and training of ASMC members, and support the development and advancement of military of the profession of military comptrollership through joint professional development activities with other organizations.
- **How to Apply:** Application package should be prepared consisting of:
  - Cover memorandum indicating supervisory/command approval of the nomination.
  - Letter from the applicant indicating desire, relevant background and expected results from holding this position.
  - Resume or SF 171 detailing experience and background of applicant.
- **Forward application to:**

Mr. John Raines  
Associate Director for Professional Development  
ASMC National Headquarters  
225 Reinekers Lane, Suite 250  
Alexandria, VA 22314-2875  
Telephone (800) 462-5637; e-mail [asmcjr@aol.com](mailto:asmcjr@aol.com)

# Syracuse awaits ACP class of 1999



## **Vision Statement**

**Financial managers involved in all aspects of Army operations and entrusted to provide timely and accurate financial information for decision-makers**

## **Goals**

### **Stewardship**

Improve financial accountability and stewardship, alter existing perceptions of how the Army executes its stewardship responsibility and maximize the organization's role as honest broker to help lead the Army through the changing resource environment.

### **Modernization**

Institute and support modern, Armywide and internal processes and financial management systems to improve the overall capability to provide quality and timely financial information and responsive customer support.

### **Professional Development**

Develop a technically competent and confident workforce that is visionary in its approach to financial management issues, concepts and daily operations and that is committed to proficiency, innovation and achievement of efficient and effective delivery of services to the customer.

### **Quality**

Recruit and retain a professional workforce focused on providing efficient and effective services and products to the customer.

### **Doctrine**

Ensure financial management doctrine is intellectually sound, reality-based, executable and flexible in consonance with external laws and requirements and adaptable to a wide variety of scenarios in a changing environment.

### **Structure**

Structure the organization to ensure flexibility, adaptability and efficient and effective operations.